

LAKE POINT IMPROVEMENT DISTRICT

Financial Statements

For the Years Ended December 31, 2006 and 2005

LAKE POINT IMPROVEMENT DISTRICT

Financial Statements

For the Years Ended December 31, 2006 and 2005

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SMITH POWELL AND COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

68 SOUTH MAIN, THIRD FLOOR

SALT LAKE CITY, UTAH 84101

Accountants' Compilation Report

The Honorable Board of Directors
Lake Point Improvement District
Lake Point, Utah

We have compiled the accompanying statements of net assets of Lake Point Improvement District as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and the statements of cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly do not express an opinion, or any other form of assurance on them.

As described in Note 1, the District has implemented a new financial reporting model as of December 31, 2004, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, and also implemented changes to reporting non-exchange transactions by adopting GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions as of December 31, 2004. In addition, the District adopted GASB statement No. 40, Deposit and Investment Risk Disclosures as of December 31, 2005.

The Management's Discussion and Analysis and the supplemental budgetary information are not a required part of the basic financial statements, but are required to be presented as supplemental information by the Governmental Accounting Standards Board. Such information was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or an other form of assurance on the supplemental information.

Smith Powell and Company, LLC

June 19 2007

LAKE POINT IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2006

(Unaudited)

As management of the Lake Point Improvement District (the "District"), located in the unincorporated area of Lake Point Utah, we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ending December 31, 2006. The District prepares its financial statements on the accrual basis of accounting. Revenues are recognized as earned and expenditures are recorded when incurred. The District receives funds from five principal sources: (1) User Fees, (2) Plan Review and Inspection Fees, (3) Impact Fees, (4) Interest Income, and (5) Property Taxes. Restricted accounts are maintained as separate accounts at Zions (Zions) Bank, Utah State Public Trust Investment Fund (PTIF), and Tooele Federal Credit Union (TFCU). The Zions and TFCU funds are invested in interest bearing savings accounts insured by the FDIC and NCUA respectively.

FINANCIAL HIGHLIGHTS

- Total Assets of the District increased \$116,776 or 4.55% as of December 31, 2006, from the prior year, principally due to Deferred Impact and Plan Review and Inspection Fees received.
- Total service fee revenues of the District increased by \$1,058 or 1.66% over the prior year, due to increased number of connections, and non-operating income increased \$2,273 or 5.55% due to increases in interest income and property taxes. Total net operating income for the District increased \$15,243 or 19.3%.
- The District has no debt obligations.
- The District's Long Term Liabilities include impact fees credits to a developer, for among other improvements, a regional pump station and force main. The developer made two connections to the District's system in 2005 and the number of impact fees credits available to the developer were reduced by two ERU's for pumping, collection, and treatment. There were no 2006 connections to the system by this developer which used impact fee credits. Remaining credits at December 31, 2006 are: Pumping: 941; Collection: 598; and Treatment: 247.
- The District expended \$154,818 for sewer lagoon aerators in 2004 and 2005 and collected \$38,791 from impact fees to reduce the expended amount to \$115,627 at the end of 2006.
- There were \$57,828 of capital contributions to the District from developers in 2006.
- The District entered into a Management Agreement with Oquirrh Mountain Water Company to provide billing, operational, and water quality monitoring services. This service agreement increased the Districts revenues by \$14,620.

OVERVIEW OF THE LAKE POINT IMPROVEMENT DISTRICT

Lake Point Improvement District was established on September 7, 1971 by resolution of the Board of County Commissioners of Tooele County pursuant to Chapter 6, Title 17, of the Utah Code Annotated for the purpose of the construction and operation of a sewer system. Tooele County has no direct oversight responsibility to the Lake Point

LAKE POINT IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2006
(Unaudited)

OVERVIEW OF THE LAKE POINT IMPROVEMENT DISTRICT (Continued)

Improvement District and the District is not reported as a unit of Tooele County. The District has no oversight responsibilities over any other governmental units which need to be reported as units of the District. Tooele County does collect and remit the property taxes owed by the district residents to the District.

The District operates with a five member Board of Directors with staggered four year terms and are elected to the Board by residents of Lake Point.

In June 2001, the Lake Point Improvement District was presented with a Preliminary Engineering Report for Wastewater Treatment which addressed the potential growth of Lake Point and presented various options for a municipal wastewater treatment system. The report recommended an interim solution for the installation of a mechanical aeration wastewater treatment system. The installation of mechanical aerators eliminated potential of odor problems and increased the existing capacity of the lagoons, thus extending the life of the existing lagoon system. The aerators became operational in February of 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements consist of two parts: the District's management's discussion and analysis and the basic financial statements. The District summary financial statements reflect the effect of accounting transactions for the year and include notes to financial statements.

- The District financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows; and Notes to Financial Statements.
- The "Notes to Financial Statements" section of the financial statements provides additional information that is essential to a full understanding of the data provided in the District Statements.

The District statements report information using accounting methods similar to those used by other Enterprise Funds. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Net Assets regardless of when cash is received or paid.

The District's presentation, of the schedule of revenues and expenses compared with budget for the Statement of Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows is one way of measuring changes the operation effectiveness of the District operation.

LAKE POINT IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2006

(Unaudited)

OVERVIEW OF DISTRICT FINANCIAL POSITION

The District's overall comparative financial position is presented as follows:

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2004</u>	<u>Change</u>
Assets					
Current Assets	\$ 361,446	\$ 222,307	\$ 139,139	\$ 184,383	\$ 37,924
Property & Equipment	3,336,888	3,272,908	63,980	3,272,125	783
Less Acc. Depreciation	<u>(1,017,648)</u>	<u>(931,305)</u>	<u>(86,343)</u>	<u>(846,418)</u>	<u>(84,887)</u>
Total Net Property & Equip.	<u>2,319,240</u>	<u>2,341,603</u>	<u>(22,363)</u>	<u>2,425,707</u>	<u>(84,104)</u>
Total Assets	<u>\$ 2,680,686</u>	<u>\$ 2,563,910</u>	<u>\$ 116,776</u>	<u>\$ 2,610,090</u>	<u>\$ (46,180)</u>
Liabilities and Net Assets					
Current Liabilities	\$ 371	\$ 0	\$ 371	\$ 0	\$ 0
Long Term Liabilities	<u>1,170,491</u>	<u>1,170,491</u>	<u>0</u>	<u>1,176,113</u>	<u>(5,622)</u>
Total Liabilities	<u>\$ 1,170,862</u>	<u>\$ 1,170,491</u>	<u>\$ 371</u>	<u>\$ 1,176,113</u>	<u>\$ (5,622)</u>
Deferred Income					
Impact and Plan Review & Insp. Fees	<u>\$ 85,454</u>	<u>\$ 6,571</u>	<u>\$ 78,883</u>	<u>\$ 9,307</u>	<u>\$ (2,736)</u>
Total Deferred Income	<u>\$ 85,454</u>	<u>\$ 6,571</u>	<u>\$ 78,883</u>	<u>\$ 9,307</u>	<u>\$ (2,736)</u>
Net Assets					
Capital Assets	\$ 1,148,749	\$ 1,171,112	\$ (22,363)	\$ 1,249,594	\$ (78,482)
Unrestricted	<u>(59,186)</u>	<u>10,899</u>	<u>(70,085)</u>	<u>26,572</u>	<u>(15,673)</u>
Restricted	<u>334,807</u>	<u>204,837</u>	<u>129,970</u>	<u>148,504</u>	<u>56,333</u>
Total Net Assets	<u>\$ 1,424,370</u>	<u>\$ 1,386,848</u>	<u>\$ 37,522</u>	<u>\$ 1,424,670</u>	<u>\$ (37,822)</u>
Total Liabilities and Net Assets	<u>\$ 2,680,686</u>	<u>\$ 2,563,910</u>	<u>\$ 116,776</u>	<u>\$ 2,610,090</u>	<u>\$ (46,180)</u>

LONG TERM DEBT

The District is not encumbered with any outstanding Long Term Debt by either Sewer Revenue Bonds or General Obligation Bonds.

LAKE POINT IMPROVEMENT DISTRICT

Management's Discussion and Analysis

December 31, 2006

(Unaudited)

The District has no employees, and support for the District is contracted to private firms. These include: Accounting, Thomas Accounting Services, Secretarial, Robbins Executive Secretarial Services, Operations, ProTech, A Water Management Company, and Smith Powell & Company, CPA's. These contracts with the District are reviewed annually.

The District also receives an annual Collection System Audit Report of the condition of the sewer pipelines, manholes, and pump stations and the report recommends repairs necessitated for leak repairs, raising manholes to grade, or damage caused by road maintenance equipment. These expenses are expensed when incurred. Additionally, the District has adequate funds for emergency repairs resulting from unexpected circumstances.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's accountability for all those interested. If you have additional questions regarding financial information, you may contact the District's office at the following address:

Lake Point Improvement District
7856 North Mountain View Road
Lake Point, Utah 84074-9755

LAKE POINT IMPROVEMENT DISTRICT

Statements of Net Assets

December 31, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current Assets:		
Cash Checking	\$ 13,607	\$ 11,669
Cash Impact Fee Checking & Savings (Restricted)	223	4,554
Cash Utah PTIF Savings (Restricted)	329,340	195,167
Cash Money Market (Restricted)	<u>5,244</u>	<u>5,116</u>
Total Cash and Cash Equivalents (Note 3)	348,414	216,506
Accounts Receivable	<u>13,032</u>	<u>5,801</u>
Total Current Assets	361,446	222,307
 Property and Equipment	 3,336,888	 3,272,908
Less Accumulated Depreciation	<u>(1,017,648)</u>	<u>(931,305)</u>
Total Net Property and Equipment	<u>2,319,240</u>	<u>2,341,603</u>
 TOTAL ASSETS	 <u>\$ 2,680,686</u>	 <u>\$ 2,563,910</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 371	\$ 0
Total Current Liabilities	\$ 371	\$ 0
 Long Term Liabilities:		
Impact Fee Credits (Note 6)	<u>1,170,491</u>	<u>1,170,491</u>
Total Long Term Liabilities	<u>1,170,491</u>	<u>1,170,491</u>
 TOTAL LIABILITIES	 1,170,862	 1,170,491
 Deferred Income:		
Deferred Impact, and Plan Review & Inspection Fees	\$ 85,454	\$ 6,571
Total Deferred Income	85,454	6,571
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 1,148,749	\$ 1,171,112
Unrestricted	(59,186)	10,899
Restricted (Note 5)	<u>334,807</u>	<u>204,837</u>
Total Net Assets	<u>1,424,370</u>	<u>1,386,848</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,680,686</u>	<u>\$ 2,563,910</u>

See accompanying notes and accountants' compilation report.

LAKE POINT IMPROVEMENT DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE		
Service Fee Revenue	\$ 64,593	\$ 63,535
Contract Services	<u>14,620</u>	<u>98</u>
Total Operating Revenue	<u>79,213</u>	<u>63,633</u>
OPERATING EXPENSES		
Accounting Fees	8,032	7,390
Administration Expenses	10,647	11,222
Contract Services	4,686	5,504
Contract Services-Base Fee	5,093	0
Contract Services-Hourly	8,570	0
Depreciation	86,343	84,888
Engineering Services	386	14,802
Insurance	2,441	3,688
Maintenance	2,945	1,438
Operations	2,261	2,945
Office Supplies and Expenses	1,083	700
Travel	3,168	3,364
Utilities	<u>7,081</u>	<u>6,458</u>
Total Operating Expenses	<u>142,736</u>	<u>142,399</u>
Net Operating Income (Loss)	<u>(63,523)</u>	<u>(78,766)</u>
NON-OPERATING INCOME (EXPENSE)		
Impact Fees	16,251	15,291
Interest Income	12,100	5,691
Plan Review and Inspection Fees	2,396	8,326
Property Taxes	<u>12,470</u>	<u>11,636</u>
Total Non-Operating Income (Expense)	<u>43,217</u>	<u>40,944</u>
CHANGE IN NET ASSETS	(20,306)	(37,822)
CONTRIBUTED CAPITAL	57,828	0
NET ASSETS-BEGINNING OF YEAR	<u>1,386,848</u>	<u>1,424,670</u>
NET ASSETS-END OF YEAR	<u>\$ 1,424,370</u>	<u>\$ 1,386,848</u>

See accompanying notes and accountants' compilation report.

LAKE POINT IMPROVEMENT DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Operating Income (Loss)	\$ (63,523)	\$ (78,766)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	86,343	84,888
(Increase) Decrease in Accounts Receivable	(7,231)	4,218
Increase in Accounts Payable	371	0
Increase (Decrease) in Deferred Income	<u>78,883</u>	<u>(2,737)</u>
Net Cash Provided by Operating Activities	<u>94,843</u>	<u>7,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>12,100</u>	<u>5,691</u>
Net Cash Provided by Investing Activities	<u>12,100</u>	<u>5,691</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Property and Equipment	(6,152)	(783)
Property Tax Income	12,470	11,636
Impact Fees	16,251	9,669
Plan Review and Inspection Income	<u>2,396</u>	<u>8,326</u>
Net Cash Provided by Capital and Financing Activities	<u>24,965</u>	<u>28,848</u>
Net Increase (Decrease) in Cash	131,908	42,142
Cash at Beginning of Year	<u>216,506</u>	<u>174,364</u>
Cash at End of Year	<u>\$ 348,414</u>	<u>\$ 216,506</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes and accountants' compilation report.

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant government accounting policies are described below.

- **History and Business Activity**

Lake Point Improvement District is a local special government district which operates a sewer system to provide sewer services for the Lake Point area of Tooele County.

Lake Point Improvement District was established on September 7, 1971 by resolution of the Board of County Commissioners of Tooele County pursuant to Chapter 6, Title 17, of the Utah Code Annotated. Tooele County and has no direct oversight responsibility for the Lake Point Improvement District. The District is not reported as a unit of Tooele County. The District has no oversight responsibilities over any other governmental units. Tooele County does collect and remit the property taxes owed by district residents to the District.

- **Enterprise Fund and Basis of Accounting**

An enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All enterprise or proprietary funds are accounted for using the accrual basis of accounting. Therefore, revenues are recorded when they are earned, not received. Thus billed service receivables are recorded as revenue at year end. Expenses are recognized when they are incurred, not necessarily when they are paid.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Adoption of New Accounting Policies**

The district has adopted and implemented GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments during the year ended December 31, 2004. The primary impact of adopting the statement included changing the presentation of fund equity to net assets, and presentation of Management's Discussion and analysis. During the year the district also adopted and implemented GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, which requires that capital contributions and impact fees be recognized in the determination of net income, rather than as a direct addition to net assets.

During 2005 the district adopted additional applicable GASB statements. GASB No. 40, Deposit and Investment Risk Disclosures was adopted which discloses deposit and investment risks by, custodial credit, credit risk, and interest rate risks.

- **Property & Equipment**

Property and equipment are stated at historical cost. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend the asset life are not capitalized. Purchases of assets which cost less than \$100 are expensed. Improvements are capitalized and depreciated over their remaining useful lives. If applicable, the net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included in income.

Depreciation of property and equipment was computed using an estimated life between 20 and 40 years on the straight - line method.

- **Property Tax Revenues**

Property tax rates are set by the Board of Trustees in June of each year. The County Assessor assesses a value as of January 1 of each year for all real property which the property tax rates will apply for assessing such property taxes. Property taxes assessed become delinquent after November 30.

- **Budgetary Accounting**

The Improvement District adopts an annual budget. The operating budget includes anticipated revenues, the proposed expenditures and the means to finance the operation of the Districts activities. The tentative and final budget is adopted before December 31, of each year. All unencumbered appropriations lapse at year end.

- **Allowance for Doubtful Accounts**

Management has determined that an allowance for doubtful accounts was not necessary for the years ended December 31, 2006 and 2005.

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 2 - SUMMARY OF CHANGES IN PROPERTY & EQUIPMENT

A summary of the property and equipment follows:

	Dec. 31, 2005	Additions	Deletions	Dec. 31, 2006
Sewer System	\$ 2,812,328	\$ 61,728	\$	\$ 2,874,056
Sewer Ponds	270,371			270,371
Land	11,550			11,550
Buildings & Building Improvements	24,240			24,240
Machinery & Equipment	154,419			154,419
Office Equipment	0	2,252		2,252
Total Property and Equipment	3,272,908	63,980	(0)	3,336,888
Accumulated Depreciation	(931,305)	(86,343)	(0)	(1,017,648)
Net Property & Equipment	<u>\$ 2,341,603</u>	<u>\$ (22,363)</u>	<u>\$ (0)</u>	<u>\$ 2,319,240</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments for local governments are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of Lake Point Improvement Districts exposure to various risks related to its cash management activities.

- A. Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management council. As of December 31, 2006 none of Lake Point Improvement District bank balances of \$19,073 were uninsured and uncollateralized.
- B. Credit Risk - Credit risk is the risk that the counter-party to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

- B. Credit Risk (Continued) - The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, Lake Point Improvement District had investments of \$329,340 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

- C. Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Lake Point Improvement District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.
- D. Cash Flow Statement Policy - For purposes of the cash flow statements, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 5 - RESTRICTED NET ASSETS

The district has restricted the use of the savings deposit, money market investment, and the Utah PTIF investment amounts for future capital expenditures. The District's impact fee savings account is restricted for expenditures for expanding the District's facilities according to Utah State Statutes.

The district has restricted net assets at December 31, 2006 and 2005 as follows:

	2006	2005
Impact Fees - Restricted for Capital Assets	\$ 223	\$ 4,554
Money Market Funds - Restricted for Capital Assets	5,244	5,116
Utah PTIF Savings - Restricted for Capital Assets	329,340	195,167
Total Restricted Net Assets	<u>\$ 334,807</u>	<u>\$ 204,837</u>

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 6 - IMPACT FEE CREDITS

On January 19, 2001 the district entered into a cooperation agreement with a developer and into a construction contract with a contractor to construct, among other improvements, a regional pump station and force sewer main. The agreements required the district to pay \$626,889 of the total cost of \$976,165 of the contract for the regional pump station and other improvements. The district would receive 1,500 out of the 2,500 equivalent residential connections (ERC'S) capacity of the pump station.

To provide funds to the district to pay part of its share of the cost, the district has agreed to sell to the developer 200 ERC'S of capacity in the districts sewer lagoons for \$337,000.

The agreement was first amended on May 9, 2001. This amendment specified the amount of credits allowed to the developers for advances for various engineering services; \$95,560 credit towards the developers share of the regional pump station and facility cost, \$72,502 in credits towards the purchase of ERC'S in the districts sewer lagoons or the purchase of additional ERC'S in the regional pump station facility, and \$41,658 in credits to be applied to any new jointly constructed treatment facilities that may be constructed for up to 15 years in the future. The agreement is effective for 20 years from the completion date of the regional pump station facility.

The facilities were completed on November 4, 2001. The district owns, operates, and maintains the facilities. The land and other interests in the facility owned by the developers has been transferred to the district.

A second amendment to the cooperation agreement was signed April 8, 2002. An additional 106 ERC's of sewer treatment credits were credited to the developer for these additional costs paid by the developer for additional planning and engineering costs. In addition, the district has agreed to credit 600 collection system ERC impact fee credits and 1000 pumping station ERC impact fee credits to the developer for the value of collection lines and other benefits added to the system. The developer also contributed the value of the developers share in the regional pump station.

As the developer connects each lot to the system, impact fee credits will be reduced and shown as impact fee income. However, cash will not be received from the developer for this impact fee income. If these credits are not used by the developer by a specified date, they will expire.

The credits for collection and pumping expire on November 4, 2016. The credits for treatment expire on November 4, 2021. Treatment credits apply to both existing and future treatment systems. Pumping credits apply only to connections served through the regional pump station. Collection credits apply only to connections served through the Saddleback Boulevard pipeline, including any tributaries that the developer may for time to time construct.

LAKE POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

For the Years Ended December 31, 2006 and 2005

NOTE 6 - IMPACT FEE CREDITS (CONTINUED)

A summary of the impact fee credits at December 31, 2006 (based on ERC values at November 4, 2001) follows:

	Developer ERC's Impact Fee Credits Due		Impact Fee Credits Applied		Impact Fee Credits Due Developer December 31, 2006	
	ERC's	Amount	ERC's	Amount	ERC's	Amount
Planning (\$19/ERC)	8	\$ 152	(8)	\$ (152)	0	\$ 0
Collection (\$890 ERC)	608	\$ 541,120	(10)	(8,900)	598	532,220
Pumping (\$236/ERC)	1,008	237,888	(67)	(15,812)	941	222,076
Treatment (\$1,685/ERC)	314	529,090	(67)	(112,895)	247	416,195
Totals (\$2,830/ERC)	N/A	<u>\$1,308,250</u>	N/A	<u>\$(137,759)</u>	N/A	<u>\$1,170,491</u>

NOTE 7 - RECLASSIFICATIONS

Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

SUPPLEMENTARY INFORMATION

LAKE POINT IMPROVEMENT DISTRICT
Schedule of Revenues and Expenditures Compared to Budget
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Income:			
Service Fee Revenue	\$ 63,300	\$ 64,593	\$ 1,293
Plan Review and Inspection Fees	6,571	0	(6,571)
Capital Funding	13,755	0	(13,755)
Contract Services	<u>12,600</u>	<u>14,620</u>	<u>2,020</u>
Total Operating Income	<u>96,226</u>	<u>79,213</u>	<u>(17,013)</u>
Operating Expenses:			
Accounting Fees	\$ 7,500	\$ 8,032	\$ (532)
Administration Expenses	11,010	10,647	363
Contract Services	5,100	4,686	414
Contract Services- Base Fee	6,600	5,093	1,507
Contract Services- Hourly	6,000	8,570	(2,570)
Saddleback Credits	3,900	0	3,900
Depreciation	84,888	86,343	(1,455)
Engineering Services	8,171	386	7,785
Insurance	1,736	2,441	(705)
Legal Fees	2,000	0	2,000
Maintenance	2,502	2,945	(443)
Operations	3,150	2,261	889
Office Supplies and Expenses	3,850	1,083	2,767
Travel	3,250	3,168	82
Uncollectible Fees/Charges	560	0	560
Utilities	<u>7,235</u>	<u>7,081</u>	<u>154</u>
Total Operating Expenses	<u>157,452</u>	<u>142,736</u>	<u>14,716</u>
Operating Income (Loss)	<u>(61,226)</u>	<u>(63,523)</u>	<u>(2,297)</u>
Non-Operating Income (Expenses):			
Impact Fees	\$ 0	\$ 16,251	\$ 16,251
Interest Income	16,335	12,100	(4,235)
Equity Transfer	44,750	0	(44,750)
Plan Review and Inspection Fees	6,571	2,396	(4,175)
Property Taxes	7,150	12,470	5,320
Rebates	175	0	(175)
Capital Expenditures	<u>(13,755)</u>	<u>0</u>	<u>13,755</u>
Total Non-Operating Income (Expense)	<u>61,226</u>	<u>43,217</u>	<u>(18,009)</u>
Change in Net Assets	<u>\$ 0</u>	<u>\$ (20,306)</u>	<u>\$ (20,306)</u>

See accompanying notes and accountant's compilation report.

LAKE POINT IMPROVEMENT DISTRICT

Schedule of Impact Fees

As of December 31, 2006

The Lake Point Improvement District has expended funds in advance of receiving impact fees for two projects for which impact fees have been and are being collected. The district has expended \$513,414 for its share of the cost of a regional pump station built from 2000 through 2002. The district has also expended \$154,418 for sewer pond aerators in 2004 and 2005. A schedule for the impact fees and interest earned on impact fees for the district is as follows.

<u>Regional Pump Station</u>				<u>Sewer Pond Aerators</u>		
<u>Year</u>	<u>Impact Fees and Interest</u>	<u>Project Cost</u>	<u>Balance</u>	<u>Impact Fees and Interest</u>	<u>Project Cost</u>	<u>Balance</u>
1996	\$ 17,200	\$	\$ 17,200	\$	\$	\$ 0
1997	\$ 21,925	\$	\$ 39,125	\$	\$	\$ 0
1999	\$ 20,400	\$	\$ 82,325	\$	\$	\$ 0
2000	\$ 13,530	\$ (513,414)	\$ (417,559)	\$	\$	\$ 0
2001	\$ 162,938	\$	\$ (254,621)	\$	\$	\$ 0
2002	\$ 15,761	\$	\$ (238,860)	\$	\$	\$ 0
2003	\$ 15,770	\$	\$ (223,090)	\$	\$	\$ 0
2004	\$ 12,796	\$	\$ (210,294)	\$ 31,091	\$ (154,418)	\$ (123,327)
2005	\$ 11,907	\$	\$ (198,387)	\$ 3,400	\$	\$ (119,927)
2006	\$ 95,928	\$	\$ (102,459)	\$ 4,300	\$	\$ (115,627)

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